



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

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GOVERNOR

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COMMISSIONER OF ADMINISTRATION

THIS MEMO HAS BEEN REPLACED WITH MEMO #2004-35 DATED 1/15/04.

March 14, 2002

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2002-54

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: Buy Back of Annual Leave

According to Civil Service Rule 11.10(e), when an employee who has resigned or retired and has been paid accumulated annual leave is reemployed in a classified position, the employee **must** pay back to the new (or current) agency the value of annual leave at the rate paid less the value of working hours for which he has been paid which intervene between the last day worked and the date of reemployment and shall be given credit for the number of hours of annual leave for which he has made reimbursement.

In order to accomplish this process in ISIS HR, the following OSUP policy must be adhered to:

- The employee must pay the new (or current) agency the Gross amount, that is, the rate of pay at the time the leave was paid times the number of hours to be credited. Any Medicare or Social Security taxes that are due back to the employee will be refunded to the employee on a subsequent regular payroll payment. Federal and state income taxes will not be refunded; however, federal and state taxable wages reported on the next W-2 will be reduced by this repayment of gross wages, if the repayment is made in the same calendar year as the payment of leave was made.

NOTE: If an agency should have any problem in collecting a portion or the full amount due from an employee, please contact OSUP for procedures to collect through a deduction on a subsequent payroll payment. The law requires the employee to pay the money back when rehired.

- Upon receipt of the funds, the agency must deposit the funds as INA (see note below) through AFS and then notify the OSUP Wage and Tax Administration (WTA) Unit. Once this deposit is verified, OSUP will notify the agency to establish the leave hours purchased on the employee record in ISIS HR. At that time, OSUP WTA Unit will process an adjustment to the employee record that will update gross wages paid in that year, if collected in the same year as paid, and refund any applicable Medicare or Social Security taxes in a subsequent payroll payment. If collection is made in a different calendar year, the WTA Unit will provide additional information.

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NOTE: If the employee returns to work for the same agency and the money is deposited in the same fiscal year, these funds can be classified as Return of Appropriation.

If an error is made by the agency when an employee transfers to another agency, that is, the losing agency is not aware of the transfer and pays annual leave to the employee, contact OSUP to determine if it is possible to collect the Gross less all taxes.

This office has received clarification from Civil Service that, because of the buy-back provision within the rules, an agency will meet the intent of the rules if the agency chooses to withhold payment of the annual leave upon separation, in those cases where an employee is going to return to work with the same agency with no break in service (the next work day).

Civil Service has also advised that if there will be a break in service of less than 300 hours of work time (for instance, a break of one week), then the intent of the rules is met if the agency pays the employee ONLY for the intervening days (for instance, for a break of one week, the employee would be paid for 40 hours of annual leave).

Note: In the above situation, it would not be necessary to pay annual leave if the employee was rehired and placed on annual leave for 40 hours (no break in service). Additionally, when there is no break in service, an employee who was not subject to Medicare tax withholding prior to retiring/resigning from an ISIS HR Paid agency, would not be subject to Medicare tax when rehired by an ISIS HR Paid agency.

Please remember that R.S. 23:631 requires that payment due an employee upon resignation or discharge is required on or before the next regular payday or no later than fifteen days following the date of discharge, whichever occurs first.

For clarification of leave payment rules, please contact the Department of Civil Service. Questions on this OSUP policy should be directed to a member of the OSUP WTA Unit at (225):

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JWC:kmb